

ARGENTINA
MACROECONOMIC REPORT

ECONOMIC SECTION

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CONTENTS

I.	MACROECONOMIC OVERVIEW.....	3
II.	GROSS DOMESTIC PRODUCT (GDP).....	5
III.	MONTHLY INDEX OF INDUSTRIAL ACTIVITY (EMI).....	7
IV.	VEHICLES.....	9
V.	CONSTRUCTION ACTIVITY.....	11
VI.	RETAIL SALES.....	13
VII.	TOURISM.....	15
VIII.	FISCAL PERFORMANCE OF THE NATIONAL GOVERNMENT.....	17
IX.	PUBLIC DEBT - NATIONAL GOVERNMENT.....	18
X.	MONEY MARKETS - PESO M2.....	19
XI.	CONSUMER PRICE INDEX (CPI).....	21
XII.	EXCHANGE RATES.....	23
XIII.	CREDIT FROM FINANCIAL ENTITIES.....	25
XIV.	INTEREST RATES.....	27
XV.	INTERNATIONAL RESERVES.....	29
XVI.	BALANCE OF PAYMENTS.....	31
XVII.	EXPORTS.....	32
XVIII.	IMPORTS.....	34
XIX.	FOREIGN DIRECT INVESTMENT (FDI).....	36
XX.	UNEMPLOYMENT, EMPLOYMENT AND ACTIVITY RATES.....	38

I. MACROECONOMIC OVERVIEW

The Argentine economy suffered four years of deep recession from 1999 to 2002. GDP declined an estimated 10.9 percent in 2002, due to the combined impact of political instability, freezing of bank accounts, default, asymmetric pesification of debts, and devaluation that took place at the end of 2001 and the beginning of 2002. The Ministry of Economy increased its earlier estimate of 3.0 percent GDP growth for 2003 to 4.5 percent as of April 2003. Achieving this rate of growth will depend on the government's ability to maintain the current economic recovery and the results of the national elections currently scheduled for April 27, 2003. The strength and speed of the current recovery is also hampered by continued institutional weakness and a struggling banking system. The Monthly Index of Industrial Activity (EMI) adjusted for seasonal factors reflects a small, but persistent recovery of industrial activity in the second half of 2002 and first three months of 2003, including improvement in export, import substitution, and construction-related industries. However, this overall recovery masks large disparities within the industrial sector. Domestic vehicle production in 2002 was 32.3 percent less than in 2001 and 65.2 percent less than in the peak year of 1998.

The Government of Argentina produced an ARP 2.5 billion consolidated surplus during 2002, excluding interest payments, and an ARP 5.1 billion deficit, including interest payments. Public debt more than doubled as a percentage of GDP in 2002, reflecting the end of the convertibility regime in January 2002 and the 70 percent devaluation of the peso during the following six months. Peso M2 increased 92.2 percent in 2002. A substantial part of this increase was due to the asymmetrical conversion of dollar bank accounts to pesos at a rate of USD 1/ARP 1.4. Peso M2 figures do not include ARP 5.8 billion in quasi-currencies circulating nationally, or ARP 2 billion in quasi-currencies that circulate only in their provinces of origin. The Consumer Price Index (CPI) increased 44.5 percent between December 2001 and March 2003, following three years of minor deflation in 1999-2001. Argentina ended its USD 1/ARP 1 convertibility regime on January 11, 2002. The peso has floated against the dollar since then, with significant Central Bank interventions in the currency markets. The financial sector contracted sharply in 2002 and the dollar value of credit shrank by 72.1 percent between February 2003 and December 2001. Peso deposit interest rates rose sharply and varied widely from bank to bank following a government-imposed freeze on bank demand deposits in December 2001 and the end of the convertibility regime. Banks continue to be very cautious about lending in early 2003.

International reserves at the end of March 2003 were USD 10.6 billion, almost 50 percent below their December 2001 level, despite a substantial improvement in the trade balance and the suspension of debt payments to private and international institutions. Exports in 2002 were USD 25.3 billion, a decrease of 4.7 percent from 2001, primarily due to a drop in commodity prices and the slower pace of grain and oilseed exports at the end of the year. New export finance mechanisms, including trust funds and loan guarantees, are being established and are expected to help stimulate exports in 2003. Imports during 2002 were USD 9.0 billion, a decrease of 55.8

percent from 2001, due to the decline in domestic demand, the absence of trade finance, and import substitution. The United State's market share increased to 20.1 percent, reversing seven consecutive years of decline that began in 1994. Foreign direct investment (FDI) will be concentrated in the mining, petroleum and tourism sectors in 2003. Official unemployment peaked at 21.5 percent in May 2002, dropped to 17.8 percent in October 2002, and would be at least 21.8 percent if the recipients of income subsidies from the government's Heads of Households Program were counted as unemployed. Over 57.5 percent of the population lived below the official poverty line and 27.5 percent lived below the indigency line in October 2002.

This and future updated versions of the "Argentina: Macroeconomic Report" will be available on the Embassy Buenos Aires Internet site at www.usembassy.state.gov/buenosaires and the American Chamber of Commerce website at www.amchamar.com.ar. The "Argentina: Glossary of Financial Terms and Acronyms" and "Argentina: Trade Report" can also be found at the same sites.

II. GROSS DOMESTIC PRODUCT (GDP)

The Argentine economy suffered four years of deep recession from 1999 to 2002, beginning in the third quarter of 1998 and ending in the first quarter of 2002. This is the longest period of economic decline since the beginning of the past century. GDP declined an estimated 10.9 percent in 2002, based on the government's preliminary figures for 2002. This decline was due to the combined impact of political instability, freezing of bank accounts, default, asymmetric pesification of debts, and devaluation that took place at end of 2001 and the beginning of 2002. Seasonally-adjusted GDP growth during the first quarter of 2002 was a negative 6.2 percent compared to the fourth quarter of 2001. GDP growth resumed in the second, third and fourth quarters. The GOA had predicted a seasonally-adjusted 2 percent growth for the fourth quarter, which ended up being only 0.8 percent. The construction, financial intermediation, fishing and commerce sectors experienced the greatest declines in 2002 compared to 2001 (33.4, 19.7, 19.2, and 18.4 percent, respectively). Minister Lavagna said on April 11 that GDP in the first quarter of 2003 had grown 4.9 percent. The Ministry of Economy increased its earlier estimate of 3.0 percent GDP growth for 2003 to 4.5 percent and to 4.0 for 2004 as of April 2003. The predictions of local economic think tanks range from a low of 1.5 to a high of 5.3 percent, averaging 3.4 percent for 2003. The Embassy expects the economy to maintain the current relatively low rate of growth during the first half of the year, based on the relatively low growth rate during the fourth quarter of 2002 and the political uncertainty surrounding the national elections currently scheduled for April 27, 2003. Growth rates during the second half of the year (and consequently for all of 2003) could vary widely, depending on the candidate that is elected, the economic policies that are announced, and the support that the newly elected president receives in the existing Congress.

GROSS DOMESTIC PRODUCT

GDP		
	BILLION	REAL GROWTH
	DOLLARS	ANNUAL
		PCT RATE
1994	257.4	5.8
1995	258.0	-2.8
1996	272.1	5.5
1997	292.9	8.1
1998	298.9	3.9
1999	283.5	-3.4
2000	284.2	-0.8
2001	268.7	-4.4
2002	98.5	-10.9
2002		QUARTERLY
		GROWTH
		PCT RATE (1)
1 QTR	113.5	-6.2
2 QTR	102.9	0.8

3 QTR	92.2	0.6
4 QTR	96.1	0.8

2003		QUARTERLY GROWTH PCT RATE (1)
1 QTR	113.5	4.9

(1) Seasonally adjusted.

Source: Ministry of Economy.

III. MONTHLY INDEX OF INDUSTRIAL ACTIVITY (EMI)

The Monthly Index of Industrial Activity (EMI) measures the performance of 120 leading manufacturing companies, business chambers, and public organizations that represent 115 products and inputs. The EMI for 2002 was 10.6 percent below 2001. The EMI reflects a small, but persistent recovery of industrial activity in the second half of 2002 and in the first three months of 2003, albeit from a low base, including both capital and labor-intensive industries. Industrial activity during the first quarter of 2002 was a negative 4.5 percent using seasonally adjusted figures compared to the fourth quarter of 2001. Industrial activity then increased at ever-increasing rates during the second, third and fourth quarters of 2002 (0.9, 2.3, and 3.7 percent, respectively). This recovery of industrial activity was led by export industries that already had established export markets, such as vegetable oil and oilseed byproducts, steel, and petrochemicals. This activity was later supplemented by labor-intensive import substitution industries with significant amounts of unused installed capacity, such as textiles and metalworking other than automobiles. Finally, an increase in construction activity also led to the recovery of construction-related industries, such as cement and other construction materials. Growth in industrial activity during the first two months of 2003 was a positive 4.1 percent using seasonally adjusted figures compared to the fourth quarter of 2002. Industrial sectors with the strongest performance during the first two months of 2003, compared to the same period in 2002, were fabrics (201 percent), cotton threads (125 percent), and metalworking other than automobiles (99 percent). Only four industries experienced negative growth, including dairy products (18 percent), printing and editing (14 percent), processed yerba mate (4 percent), and synthetic and artificial fibers (1 percent). Very preliminary figures on March 2003 show a 1.6 percent monthly increase.

MONTHLY INDEX OF ECONOMIC INDUSTRIAL ACTIVITY (EMI) (1997=100)

	ORIGINAL SERIES	ADJUSTED SEASONAL FACTORS	PCT CHANGE PREVIOUS MONTH (based on b)	PCT CHANGE SAME MONTH YEAR EARLIER (based on a)
	(a)	(b)	(based on b)	(based on a)
Dec.1997	100.4	102.3	-1.4	10.9
Dec.1998	94.4	96.7	-2.1	-6.0
Dec.1999	100.6	101.5	3.3	6.6
Dec.2000	96.4	100.4	8.0	-4.2
Dec.2001	75.3	78.5	-3.7	-21.9
Dec.2002	83.4	85.6	2.6	10.8
2001				
JAN	87.3	94.5	-5.9	-1.4
FEB	82.0	92.4	-2.2	-5.6
MAR	91.3	91.9	-0.5	-8.3
APR	89.9	92.8	1.0	-1.5
MAY	92.7	91.7	-1.2	-3.2

JUN	91.7	90.6	-1.2	-1.9
JUL	93.3	89.5	-1.2	-4.5
AUG	91.1	85.2	-4.8	-7.8
SEP	87.2	85.5	0.4	-11.9
OCT	89.2	83.5	-2.3	-10.0
NOV	85.0	81.5	-2.4	-11.6
DEC	75.3	78.5	-3.7	-21.9

2002

JAN	69.8	75.9	-3.3	-20.0
FEB	68.1	76.5	0.8	-17.0
MAR	71.0	75.4	-1.4	-22.2
APR	76.4	75.3	-0.1	-15.0
MAY	79.1	77.1	2.4	-14.7
JUN	77.3	78.4	1.7	-15.7
JUL	82.0	77.3	-1.4	-12.1
AUG	83.4	79.4	2.7	-8.5
SEP	83.2	79.6	0.3	-4.6
OCT	85.4	80.7	1.4	-4.3
NOV	85.5	83.4	3.3	0.6
DEC	83.4	85.6	2.6	10.8

2003

JAN	82.3	88.5	3.4	17.9
FEB	80.1	89.8	1.5	17.6
MAR (1)	89.1	91.2	1.6	25.5

(1) Preliminary

Source: National Bureau of Statistics and Census (INDEC).

IV. VEHICLES

Domestic vehicle production in 2002 was 159,401, 32.3 percent less than in 2001 and 65.2 percent less than in the peak year of 1998. Domestic sales of locally produced vehicles in 2002 were 46,294, 50.7 percent less than in 2001 and 87.2 percent less than in the peak year of 1994. Exports in 2002 were 123,062, 20.7 percent less than exports in 2001. Domestic vehicle production for the first quarter 2003 was 32,739 units, up 40.0 percent from the same period in 2002. Vehicle exports for the first quarter 2003 were 25,559, 15.7 percent over the same period in 2002. Domestic sales of locally produced vehicles for the first quarter 2003 were 10,603, 23.0 percent below the first quarter 2003 sales. The automotive industry believes that exports are the most likely source of recovery for the sector, due to the weakness of domestic demand and the lack of domestic credit for durable goods. New vehicle sales will be affected by a substantial increase in vehicle taxes in 2003 in the city of Buenos Aires, where most vehicles are sold. Used car sales now exceed new car sales by a factor of more than two to one and reported vehicle thefts exceed new vehicle sales. Barter sales have served to offset the lack of domestic credit and now represent approximately 20 percent of total truck sales. Argentina recently completed automotive trade agreements with Brazil, Chile and Mexico. The Mexican market may soon rival the traditionally important Brazilian market. The automotive industry is also in the process of incorporating a greater percentage of local content, to the benefit of the local parts industry.

VEHICLES

	PRODUCTION			EXPORTS		DOMESTIC SALES (1)	
	UNITS	PCT	CHANGE	UNITS	PCT	UNITS	PCT
							CHANGE
1990	99,639	-22.0		1,126	-38.8	94,801	-29.0
1991	138,958	39.5		5,205	362.3	137,180	44.7
1992	262,022	88.6		16,353	214.2	243,371	77.4
1993	342,344	30.7		29,976	83.3	311,212	27.9
1994	408,777	19.4		38,657	29.0	360,579	15.9
1995	285,435	-30.2		52,746	36.4	224,965	-37.6
1996	313,152	9.7		108,990	106.6	215,143	-4.4
1997	446,306	42.5		210,386	93.0	228,297	6.1
1998	457,957	2.6		237,497	12.9	221,971	-2.8
1999	304,809	-33.4		98,362	-58.6	220,553	-0.6
2000	339,246	11.3		135,760	38.0	186,400	-15.5
2001	235,577	-30.6		155,123	14.3	93,833	-49.7
2002	159,401	-32.3		123,062	-20.7	46,294	-50.7
2002							
JAN	4,416	-42.2		3,573	-45.4	1,816	-55.0
FEB	7,818	77.0		8,543	139.1	4,542	150.1
MAR	11,155	42.7		9,976	16.8	7,419	63.3
APR	16,473	47.7		11,090	11.2	6,086	-18.0
MAY	15,247	-7.4		11,973	8.0	3,933	-35.4
JUN	13,887	-8.9		9,527	-20.4	2,706	-31.2

JUL	15,830	14.0	12,402	30.2	2,874	6.2
AUG	15,238	-3.7	11,578	-6.6	2,938	2.2
SEP	15,721	3.2	12,810	10.6	2,954	0.5
OCT	16,124	2.6	11,432	-10.8	3,162	7.0
NOV	15,787	-2.1	11,027	-3.5	4,181	32.2
DEC	11,705	-25.9	9,131	-17.2	3,683	-11.9

2003

JAN	8,919	-23.8	9,504	4.1	3,701	0.5
FEB	9,909	11.1	7,216	-24.1	3,241	-12.4
MAR	13,911	40.4	8,839	22.5	3,660	12.9

Note: These figures include all types of motor vehicles.

(1) Domestic sales of locally produced vehicles to car dealers.

Source: Association of Automobile Producers (ADEFA) and Foundation for Latin American Economic Research (FIEL).

V. CONSTRUCTION ACTIVITY

Construction activity in Argentina declined by 45.8 percent between 1998 and 2002, including 28.3 percent in 2002. The downward trend changed in December 2002, when construction activity was up 12.8 percent compared to December 2001. Accumulated seasonally-adjusted growth between December 2002 and February 2003 was 13.5 percent. Part of this increase was driven by increased construction in the petroleum section in response to higher petroleum prices. Construction activity levels are expected to be flat according to a recent poll in the sector. Among construction firms, 21.1 percent of those involved in private works and 31.9 percent of those involved in public works are idle. 74.5 percent of the businessmen devoted to public works believe that there will be no changes in activity in the short run, and 8.5 percent predict reductions. The corresponding figures for businessmen involved in private construction are 73.7 percent and 15.8 percent, respectively. Authorizations for private construction in 42 cities increased 57.6 percent on an annual basis for the first two months of 2003.

CONSTRUCTION ACTIVITY BASE 1997=100

	ORIGINAL SERIES	ADJUSTED SEASONAL FACTORS	PCT CHANGE PREVIOUS YEAR
1994	94.1	94.2	15.6
1995	79.2	79.5	-15.8
1996	82.4	82.1	4.0
1997	100.0	99.7	21.3
1998	106.7	106.7	6.7
1999	100.3	100.3	-6.0
2000	90.1	90.0	-10.2
2001	80.6	81.1	-10.5
2002	57.8	57.6	-28.3

	ORIGINAL SERIES (a)	ADJUSTED SEASONAL FACTORS (b)	PCT CHANGE SAME MONTH PREVIOUS YR (based on a)
2001			
APR	80.2	88.8	-1.8
MAY	82.4	86.3	2.0
JUN	79.2	85.9	1.6
JUL	82.9	88.5	4.0
AUG	83.1	78.3	-11.7
SEP	77.3	74.0	-19.9
OCT	77.9	71.3	-16.0
NOV	78.3	70.8	-20.8
DEC	60.4	61.6	-35.4
2002			
JAN	52.0	51.4	-43.3
FEB	46.8	51.3	-44.5
MAR	55.4	55.6	-37.8
APR	53.5	54.5	-33.3

MAY	53.6	56.3	-35.0
JUN	51.0	57.2	-35.7
JUL	54.0	56.3	-34.8
AUG	60.9	58.0	-26.7
SEP	61.8	59.5	-20.1
OCT	67.2	60.8	-13.7
NOV	69.0	63.1	-11.9
DEC	68.2	67.6	12.8
2003			
JAN	71.2	70.8	36.8
FEB	65.4	71.6	39.8

Source: National Bureau of Statistics and Census (INDEC).

VI. RETAIL SALES

Sales in supermarkets and shopping malls fell by 63 and 66.3 percent, respectively, in US dollar terms, during 2002. These drops are the result of the local recession that greatly reduced the purchasing power of consumers. The impact of the devaluation on domestic prices also contributed to the reduction of sales in U.S. dollar terms. There was an annual 28.9 percent drop in sales in constant pesos in supermarkets in February 2003 whereas there was an annual 14.1 percent rise for sales in shopping malls. The sustained drop in supermarket sales is primarily due to the above-mentioned reduction in purchasing power and, to a lesser extent, to some consumers abandoning supermarkets and opting for neighborhood grocery stores. Grocery stores tend to provide informal ways of finance to clients. The increase in shopping centers sales is due to increased purchases by foreign tourists.

RETAIL SALES CURRENT USD MILLIONS

	SUPER- MARKETS	PCT CHANGE SAME PERIOD PREVIOUS YR	SHOPPING MALLS	PCT CHANGE SAME PERIOD PREVIOUS YR
1998	14,592.1	9.1	1,815.6	11.8
1999	14,389.9	-1.4	1,835.8	1.1
2000	14,339.6	-0.3	1,797.8	-2.1
2001	13,508.1	-5.8	1,505.6	-16.3
2002	5,000.8	-63.0	508.1	-66.3
2001				
MAR	1,233.5	1.9	136.4	0.5
APR	1,178.3	-4.2	137.6	-12.1
MAY	1,089.4	-3.1	130.4	-11.1
JUN	1,145.2	0.9	140.8	-14.8
JUL	1,144.4	-7.4	146.6	-21.7
AUG	1,094.6	-5.4	122.2	-15.2
SEP	1,066.2	-8.4	106.8	-21.0
OCT	1,060.9	-11.1	118.4	-18.5
NOV	1,028.6	-9.9	100.0	-21.2
DEC	1,292.0	-15.2	136.6	-34.0
2002				
JAN	573.7	-48.5	40.9	-66.9
FEB	508.1	-52.1	38.3	-63.9
MAR	525.4	-57.4	48.7	-64.3
APR	402.4	-65.8	37.8	-72.6
MAY	360.5	-66.9	35.5	-72.7
JUN	353.2	-69.2	39.7	-71.8
JUL	353.2	-69.1	41.8	-71.5
AUG	367.8	-66.4	39.2	-67.9
SEP	347.3	-67.4	35.8	-66.5

OCT	356.2	-66.4	42.9	-63.8
NOV	375.6	-63.5	42.7	-57.3
DEC	477.4	-63.1	64.8	-52.5

2003

JAN	391.0	-31.8	39.0	-4.7
FEB	402.3	-20.8	40.4	5.4

Note: This INDEC survey includes all 28 shopping malls located in the Greater Buenos Aires urban area as of January 2003. The INDEC survey includes supermarkets belonging to 74 chains throughout the country with an area greater than 300 square meters.

Source: National Bureau of Statistics and Census (INDEC).

VII. TOURISM

Three million foreign tourists visited Argentina in 2002, up 15.3 percent from 2001. However, total dollar expenditure by foreign tourists fell 9.7 percent from USD 2.5 billion in 2001 to USD 2.2 billion in 2002, resulting in a 21.7 percent reduction in per capita expenditure from USD 949 in 2001 to USD 743 in 2002. Social unrest in early 2002 had a negative impact on tourism, but this was offset later in the year as tourists from neighboring countries responded to the attractiveness of Argentina's lower exchange rate. The decline in per capita expenditure in 2002 was due to the decline in domestic prices when converted to dollars and the arrival of visitors from countries with lower purchasing power. Some 2.9 million Argentine tourists traveled abroad in 2002, down 39.7 percent from 2001. Expenditure by these tourists dropped 56 percent from USD 3.8 billion in 2001 to USD 1.7 billion in 2002. Per capita expenditure fell from USD 798 to USD 583 in the same period, as Argentines took less expensive vacations in cheaper destinations in neighboring countries.

TOURISM

NUMBER OF VISITORS (THOUSANDS)						
	NORTH					TOTAL
	CHILE	REST OF LATIN-AM.	AMERI- CA	EURO- PE	OTHERS	
1990	439.0	1,051.9	161.0	233.0	45.2	1,930.0
1991	391.5	936.9	138.1	201.9	39.8	1,708.2
1992	373.1	946.2	140.4	206.6	37.7	1,703.9
1993	438.9	1,103.7	137.8	196.2	41.8	1,918.5
1994	461.4	1,205.5	158.2	218.0	46.3	2,089.4
1995	465.7	1,344.2	178.2	248.3	52.2	2,288.7
1996	482.6	1,548.2	221.3	298.9	63.0	2,613.9
1997	481.6	1,654.5	242.2	319.8	66.1	2,764.2
1998	549.7	1,781.4	264.3	344.3	72.8	3,012.5
1999	541.2	1,699.7	249.8	336.7	70.9	2,898.2
2000	571.3	1,656.4	252.4	354.1	75.3	2,909.5
2001	520.3	1,457.0	179.8	370.9	92.3	2,620.5
2002 (*)	840.8	1,656.3	148.3	306.7	71.3	3,023.4

REVENUE FROM VISITORS TO ARGENTINA (USD MILLIONS)							
	NORTH						USD/ CAP
	CHILE	REST OF LATIN-AM.	AMERI- CA	EURO- PE	OTHERS	TOTAL	
1990	190.2	456.3	167.5	273.4	43.4	1,130.9	586
1991	208.3	522.3	173.6	289.9	47.1	1,241.1	727
1992	225.2	604.8	197.6	335.4	50.1	1,413.0	829
1993	279.9	745.9	207.6	332.1	59.6	1,625.1	847
1994	307.4	857.7	246.4	381.5	69.1	1,862.0	891
1995	329.6	1,000.1	285.0	449.1	80.3	2,144.1	937
1996	340.7	1,199.8	356.6	547.6	96.8	2,541.5	972
1997	347.6	1,272.5	391.0	580.6	101.3	2,693.0	974

1998	393.6	1,372.7	429.8	629.6	110.8	2,936.5	975
1999	383.6	1,303.7	407.8	609.8	107.8	2,812.7	970
2000	402.4	1,260.3	412.1	628.8	113.6	2,817.3	968
2001	353.5	1,111.3	384.9	500.8	136.7	2,487.2	949
2002(*)						2,247.0	743

(*) Preliminary

Source: Secretariat of Tourism and Sports

VIII. FISCAL PERFORMANCE OF THE NATIONAL GOVERNMENT

The Government of Argentina's fiscal performance should be viewed in the context of the huge debt that it defaulted on in December 2001. The non-financial public sector produced an ARP 2.5 billion consolidated surplus during 2002, excluding interest payments, and an ARP 5.1 deficit, including interest payments (all figures expressed in constant January 2003 pesos). The consolidated deficit including interest decreased 58.5 percent in real terms. This improvement was due largely to the fact that the government substantially reduced payments of principal and interest on its debt in 2002 and the positive impact of inflation on revenues. Current revenues decreased by 13.1 percent and current expenditures fell by 19.2 percent in real terms in the same period. The consolidated result for January 2003 was an ARP 380 surplus.

FISCAL PERFORMANCE OF THE NATIONAL GOVERNMENT (ARGENTINE JANUARY 1993 PESOS - MILLIONS)

	2001	2002	Jan. 2002	Jan. 2003
I.Current Revenues	70,925.0	61,639.6	5,225.5	6,001.5
II.Current Expenses	79,763.3	64,402.1	5,614.3	5,382.9
III.Capital Revenues	266.0	108.8	5.9	3.6
IV.Capital Expenses	3,730.5	2,446.1	230.6	241.9
V. Total Revenues (I + III)	71,191.0	61,748.5	5,231.4	6,005.1
VI. Total Expenses (II + IV)	83,493.8	66,848.3	5,844.9	5,624.8
VII.Current Result (I-II)	-8,838.3	-2,762.5	-388.8	618.6
VIII. Consolidated Result (V - VI)	-12,302.9	-5,099.8	-613.6	380.3
IX. Expenses without interest payments (VI - Interests)	69,137.6	59,214.8	5,579.9	5,150.8
X.Consolidated Result Without Interest Payments (V - IX)	2,053.4	2,533.7	-348.6	854.3

(1) Negative means a deficit, positive means a surplus.

Source: Ministry of Economy.

IX. PUBLIC DEBT - NATIONAL GOVERNMENT

Public debt more than doubled as a percentage of GDP in 2002, reflecting the end of the convertibility regime in January 2002 and the 70 percent devaluation of the peso during the following six months. Total public debt in dollar terms declined during the first six months of 2002 because the government pesified its local dollar denominated debt following the end of the convertibility regime. The government has initiated a process of consolidating pre-December 2001 debt, substantial portions of which are not reflected in published debt figures because bonds promised as compensation by the government have not been issued. The government also committed to compensate banks for asymmetrical pesification in February 2002 and other losses, but has not done so yet. Compensation for asymmetrical pesification alone was estimated to require ARP 5 billion and USD 9.2 billion in bonds, which also were not reflected in 2002 debt figures. The Central Bank is now reconsidering the methodology to determine the compensation due. The interim government also has indicated it will compensate banks for the cost of court-ordered redollarization of some bank accounts and the asymmetrical indexation of debts, the amount of the compensation has been left to Congress.

PUBLIC DEBT - NATIONAL GOVERNMENT (USD MILLIONS)

	END OF 2000		END OF 2001		SET.2002	
	USD MILL	PCT GDP	USD MILL.	PCT GDP	USD MILL	PCT GDP
TOTAL PUBLIC DEBT	128,861	45.3	144,279	53.7	129,794	131.8
SECURITIES	89,505		57,310		65,039	
LOANS	34,248		80,223		57,389	
MULTILATERALS	21,757		32,357		31,065	
BILATERALS	4,570		4,474		4,343	
COMMERCIAL BANKS & GUARANTEED LOANS	5,997		41,917		21,739	
OTHER CREDITORS	1,924		1,475		242	
TREASURY BILLS	5,108		6,746		0	
ARREARS					7,367	

Note: Stock of debt is compared to total GDP for the year in order to obtain debt related to GDP.

Source: Undersecretariat of Financing, Ministry of Economy.

X. MONEY MARKETS - PESO M2

Peso M2 increased 92.2 percent during 2002, while bimonetary M2 (dollars and pesos) increased just 3.7 percent. Argentina made major changes to its financial system in the period December 2001 - February 2002 that makes monetary data difficult to interpret. Bank demand accounts and term deposits were frozen in December 2001. Argentina ended its USD 1/ARP 1 convertibility regime with the US dollar on January 11, 2002. All dollar-denominated accounts were pesified in February 2002 at USD 1/ARP 1. However, bank accounts were converted at an asymmetrical rate of USD 1/ARP 1.4, resulting in the 29.4 percent increase in peso M2 in February. Dollars, which during convertibility had been used as a store of value, were effectively removed from bimonetary M2 by May 2002 (the slight discrepancy between the two columns since May 2002 reflects the small remaining number of dollar-denominated bank accounts remaining). The sharp increase in peso M2 as a percentage of GDP from 2001 to 2002 reflects the sharp drop in GDP and the mandatory pesification of deposits. The steady increase in demand for pesos in the second half of 2002 tracks the value of the peso against the dollar. The peso reached its lowest point against the dollar in June 2002, and then appreciated steadily during the last half of the year. Peso M2 figures do not include ARP 5.8 billion in quasi-currencies (provincial and federal bonds that function as money) circulating nationally, or ARP 2 billion in quasi-currencies that circulate only in their provinces of origin. The Argentine government submitted a bill to Congress in early April 2003 that would fund the retirement of many of these quasi-currencies.

PESO M2 (ARGENTINE PESOS MILLIONS)

PESO M2				BIMONETARY M2 (PESOS&DOLLARS)		
END OF				END OF		
YEAR	PCT CHG	PCT GDP		YEAR	PCT CHG	PCT GDP
BALANCE	PREV YR	(NOMINAL)		BALANCE	PREV YR	(NOMINAL)
1996	27,525	19.7	10.1	33,391	20.7	12.3
1997	32,818	19.2	11.2	40,019	19.8	14.7
1998	34,672	5.6	11.6	41,626	4.0	15.3
1999	33,540	-3.3	11.8	41,056	-1.4	15.1
2000	32,664	-2.6	11.5	40,139	-2.2	14.7
2001	23,610	-27.7	8.8	44,173	10.0	16.2
2002	45,387	92.2	14.5	45,820	3.7	16.8

PESO M2			BIMONETARY M2	
END OF	PCT CH		END OF	PCT CH
MONTH	SAME MO		MONTH	SAME MO
	PREV YR			PREV YR
2001				
FEB	31,737	1.3	39,324	1.7
MAR	28,376	-10.1	36,083	-7.1
APR	29,396	-6.0	37,176	-3.2
MAY	28,839	-9.2	36,384	-6.7
JUN	28,684	-12.1	36,660	-8.2
JUL	26,396	-18.1	34,590	-12.7

AUG	24,166	-23.8	32,499	-16.2
SEP	24,064	-24.6	32,585	-16.3
OCT	22,225	-28.1	30,498	-20.0
NOV	21,231	-30.8	29,483	-22.6
DEC	23,610	-27.7	44,173	10.0
2002				
JAN	30,250	-3.1	59,491	54.5
FEB	41,075	29.4	55,060	40.0
MAR	40,673	43.3	43,449	20.4
APR	40,786	38.7	42,242	13.6
MAY	39,173	35.8	39,646	9.0
JUN	38,116	32.9	38,488	5.0
JUL	42,351	60.4	42,698	23.4
AUG	41,707	72.6	42,078	29.5
SEP	41,102	70.8	41,493	27.3
OCT	40,784	83.5	41,215	35.1
NOV	43,142	103.2	43,575	47.8
DEC	45,387	92.2	45,820	3.7
2003				
JAN	44,651	47.6	45,098	-24.2
FEB	44,266	7.8	44,755	-18.7

Source: Ministry of Economy.

XI. CONSUMER PRICE INDEX (CPI)

The Consumer Price Index (CPI), which only measures inflation in Greater Buenos Aires, increased 44.5 percent between December 2001 and March 2003, following three years of minor deflation in 1999-2001. Prices of goods increased by 73.1 percent during that period, whereas prices of services rose by 13.6 percent. The items with the highest increases since the devaluation were Food and Beverages and Clothing (64.3 percent and 62.5 percent, respectively). However, most of the inflation took place during the first six months following the end of the convertibility regime on January 11, 2002. CPI increased 2.5 percent in the first three months of 2003, led by the Food and Beverages segment, which increased 4.0 percent. Inflation for 2003 (December 2003 over December 2002) would be 7.8 percent if the average monthly rate for the last six months remained fixed for the rest of the year. The Ministry of Economy lowered its inflation estimate for 2003 from 22 percent to 14 percent as of April 2003.

CONSUMER PRICE INDEX (1999=100)

	END OF PERIOD	PCT CHG PREV YR
1997	101.0	0.3
1998	101.7	0.7
1999	99.9	-1.8
2000	99.1	-0.7
2001	97.6	-1.5
2002	137.6	41.0

	AVERAGE	PCT CHG PREV MO
2001		
APR	99.8	0.7
MAY	99.9	0.1
JUN	99.2	-0.7
JUL	98.9	-0.3
AUG	98.5	-0.4
SEP	98.4	-0.1
OCT	98.0	-0.4
NOV	97.7	-0.3
DEC	97.6	-0.1

2002		
JAN	99.8	2.3
FEB	103.0	3.1
MAR	107.1	4.0
APR	118.2	10.4
MAY	122.9	4.0
JUN	127.4	3.6
JUL	131.4	3.2
AUG	134.5	2.3
SEP	136.3	1.3

OCT	136.6	0.2
NOV	137.3	0.5
DEC	137.6	0.2

2003

JAN	139.4	1.3
FEB	140.2	0.6
MAR	141.0	0.6

Source: National Bureau of Statistic and Census (INDEC).

XII. EXCHANGE RATES

Argentina ended its USD 1/ARP 1 convertibility regime on January 11, 2002. The peso has floated against the dollar since then, with significant Central Bank interventions in the currency markets, reaching a low of USD1/ARP3.95 on June 25-26. A major influence on the exchange rate during 2002 was a wide-ranging and effective capital control regime by the Central Bank as well as the suspension of many debt payments. The peso rose sharply against the dollar in late December 2002 and early 2003 and the Central Bank began to loosen its capital control regime. This appreciation is the result of a combination of factors, including increased confidence about Argentina's short-term future, a structural imbalance in the supply and demand for dollars, and capital inflows that take advantage of high local interest rates and low property values. The GOA reached a tentative agreement with the IMF in early April to ease the monetary targets that were established with the signing of Argentina's January 2003 IMF agreement. This would facilitate the BCRA's expressed desire to stabilize the dollar-peso exchange rate at approximately USD 1/ARP 3.

ANNUAL AND MONTHLY EXCHANGE RATES (ARGENTINE PESOS PER DOLLAR)

	END OF PERIOD	AVERAGE	END OF PERIOD PCT CHG	CPI DIFFERENCE *
1994	1.00	1.00	0.0	1.6
1995	1.00	1.00	0.0	0.5
1996	1.00	1.00	0.0	-2.8
1997	1.00	1.00	0.0	-1.8
1998	1.00	1.00	0.0	-0.6
1999	1.00	1.00	0.0	-3.4
2000	1.00	1.00	0.0	-4.3
2001	1.00	1.00	0.0	-3.9
2002	3.36	3.18	236.3	24.3
END OF PERIOD PCT CHG PREVIOUS MO				
2002				
JAN	1.95	1.80	95.0	2.1
FEB	2.15	2.02	10.3	2.7
MAR	2.85	2.39	32.6	3.4
APR	2.92	2.86	2.3	9.8
MAY	3.58	3.33	22.6	4.0
JUN	3.80	3.62	6.4	3.6
JUL	3.70	3.61	-2.7	3.1
AUG	3.63	3.62	-2.0	2.0
SEP	3.73	3.64	2.8	1.2
OCT	3.52	3.65	-5.5	0.1

NOV	3.60	3.53	2.1	0.5
DEC	3.36	3.49	-6.5	0.4

2003

JAN	3.18	3.26	-5.4	0.9
FEB	3.20	3.16	0.6	-0.2
MAR	2.96	3.07	-7.5	0.0

* Percentage change in Argentina's CPI less the percentage change in the US CPI.

Note: the dollars considered are the retail rates (averages of sales and purchases) for January and February 2002, and the Central Bank reference price for the dollar for the rest of the months considered.

Sources: Central Bank (BCRA), Financial Daily Ambito Financiero Databank, National Bureau of Statistics and Census (INDEC) and US Bureau of Labor Statistics.

XIII. CREDIT FROM FINANCIAL ENTITIES

The financial sector contracted sharply during 2002 and the dollar value of credit shrank by 72.1 percent between February 2003 and December 2001. Credit availability dropped precipitously after the government enacted emergency economic measures in January 2002. Banks were de-capitalized by the forced conversion of their dollar reserves in the Central Bank to pesos, the asymmetrical pesification of bank deposits (converted at a USD 1/ARP 1.4 rate) and credits (converted at a USD 1/ARP 1 rate), and by hundreds of court decisions requiring repayment of pesified accounts in dollars despite government decrees requiring pesification. The value of borrowers' collateral, assets and incomes also declined, and the number of non-performing loans increased. Banks also were hurt by the freeze on execution of judgments against mortgaged property in 2002 and the asymmetrical indexation of home mortgages and commercial loans. Foreign banks, which make up a large portion of the financial sector, were unable to tap their foreign headquarters for funds due to the inherent high risk of further investments in the sector. The largest local banks were technically insolvent, since a large portion of their assets were in defaulted government obligations. The financial sector likely will continue to contract for at least the first half of 2003, despite attempts by the interim government to pressure banks to increase lending. The investment climate continues to be poor, and banks face large liabilities and uncertainty about government compensation for pesification, indexation and lawsuits by depositors.

CREDIT FROM FINANCIAL ENTITIES (MILLIONS)

	CREDIT IN PESOS		CREDIT IN DOLLARS		TOTAL EXPRESSED IN PESOS	
	END OF PERIOD	PCT CHANGE	END OF PERIOD	PCT CHANGE	END OF PERIOD	PCT CHANGE
1997	23,798	10.8	43,137	19.4	66,935	16.2
1998	26,220	10.2	50,187	16.3	76,407	14.2
1999	26,060	-0.6	51,172	2.0	77,232	1.1
2000	24,149	-7.3	52,874	3.3	77,023	-0.3
2001	15,051	-37.7	56,953	7.7	72,004	-6.5
2002	58,387	287.9	3,140	-94.5	-	-

	2001					
	END OF PERIOD	MONTHLY PCT CHG	END OF PERIOD	MONTHLY PCT CHG	END OF PERIOD	MONTHLY Y PCT CHG
JAN	23,540	-2.5	52,516	-0.7	76,056	-1.3
FEB	23,477	-0.3	52,472	-0.1	75,949	-0.1
MAR	21,952	-6.5	51,079	-2.7	73,031	-3.8
APR	21,948	0.0	50,973	-0.2	72,921	-0.2
MAY	21,495	-2.1	50,802	-0.3	72,297	-0.9
JUN	21,612	0.5	50,408	-0.8	72,020	-0.4
JUL	20,464	-5.3	49,951	-0.9	70,416	-2.2
AUG	19,712	-3.7	49,138	-1.6	68,850	-2.2
SEP	19,424	-1.5	48,843	-0.6	68,267	-0.8
OCT	19,029	-2.0	48,360	-1.0	67,389	-1.3
NOV	18,512	-2.7	53,942	11.5	72,454	7.5

DEC	15,051	-18.7	56,953	5.6	72,004	-0.6
2002						
JAN	27,780	84.6	42,810	-24.8 (see BCRA note)	-	
FEB	31,060	11.8	37,840	-11.6 (see BCRA note)	-	
MAR	46,259	48.9	24,319	-35.7 (see BCRA note)	-	
APR	57,730	24.8	13,840	-43.1 (see BCRA note)	-	
MAY	56,237	-2.6	11,436	-17.4 (see BCRA note)	-	
JUN	56,670	0.8	10,628	-7.1 (see BCRA note)	-	
JUL	60,755	7.2	6,338	-40.4 (see BCRA note)	-	
AUG	62,529	2.9	4,109	-35.2 (see BCRA note)	-	
SEP	61,245	-2.1	3,369	-18.0 (see BCRA note)	-	
OCT	60,699	-0.9	3,194	-5.2 (see BCRA note)	-	
NOV	60,232	-0.8	3,182	-0.4 (see BCRA note)	-	
DEC	58,387	-3.1	3,140	-1.3 (see BCRA note)	-	
2003						
JAN	57,246	-2.0	3,064	-2.4	66,995	-
FEB	58,783	2.7	1,528	-50.1	63,675	-5.0

Note: These figures include credit to the public sector and non-financial private sector, both in pesos and in dollars and exclude credit to non-residents (which is very low).

BCRA Note: As from January 11 2002 total for both types of currencies are not included because of the implementation of multiple exchange rates. From this date, increments of local currency concepts could reflect the revaluation of foreign currency concepts converted to pesos.

Since January 2003 the Central Bank (BCRA) has been publishing again the bimonetary totals, expressing dollar amounts in pesos based on the reference exchange rate surveyed by the same central bank.

Source: Ministry of Economy and Central Bank (BCRA).

XIV. INTEREST RATES

Peso deposit interest rates rose sharply and varied widely from bank to bank following a government-imposed freeze on bank demand deposits (the "corralito") in December 2001 and the end of the convertibility regime in January 2002. The rise also reflected the effort by banks to keep money in the banking sector following pesification in February and the gradual loosening of the "corralito," which was lifted entirely in early December 2002. Banks provided very little new lending in 2002, and much of what was provided was only for renegotiation of outstanding debt. Almost no loans were made at the listed loan rates during the first six to nine months of 2002. Banks continue to be very cautious about lending in early 2003. A January Supreme Court ruling declared that pesification of bank accounts was unconstitutional, potentially subjecting banks to even more lawsuits by depositors. The Duhalde government is trying to encourage banks to make more credits available in exchange for compensation for asymmetrical pesification, asymmetrical indexation procedures and redollarization of deposits, but banks are reluctant to do so in the current environment.

INTEREST RATES

	DEPOSIT RATES		LENDING RATES	
	TIME DEPOSITS		PERSONAL LOANS	PRIME
	PESOS	DOLLARS	-PESOS-	-PESOS-
			UP TO 180 DAYS	30 DAYS
1996	7.46	6.22	42.54	10.51
1997	7.04	5.97	41.00	9.24
1998	7.61	6.43	36.26	10.64
1999	8.25	6.44	32.51	11.04
2000	8.48	7.04	32.50	11.09
2001	16.32	9.67	33.82	26.47
2002	39.34	4.43	50.83	52.97
2001				
JAN	8.70	7.46	32.57	11.65
FEB	6.84	6.27	33.02	8.98
MAR	11.33	6.88	34.33	17.29
APR	13.70	8.44	32.42	23.83
MAY	13.55	8.96	32.94	22.36
JUN	11.12	8.16	32.97	16.83
JUL	21.22	10.31	34.39	36.18
AUG	26.08	13.39	34.55	38.57
SEP	21.98	12.20	34.70	32.91
OCT	22.24	11.99	35.62	32.62
NOV	31.66	13.48	34.89	49.96
DEC	7.46	8.53	33.44	n/a
2002				
JAN	5.53	6.34	38.96	29.53
FEB	7.75	4.17	38.11	31.92

MAR	15.00	4.18	38.45	(see note)
APR	45.88	4.80	40.87	(see note)
MAY	64.54	7.50	43.35	(see note)
JUN	71.88	5.47	52.62	(see note)
JUL	76.47	5.44	55.70	(see note)
AUG	64.99	4.78	55.79	102.38
SEP	44.66	3.60	60.11	78.83
OCT	34.51	2.90	59.37	55.24
NOV	19.51	2.10	63.64	39.41
DEC	21.35	1.88	62.95	33.48
2003				
JAN	17.61	1.74	62.39	27.49
FEB	18.13	1.23	n/a	27.43

Note: The Central Bank states, "it is not possible to offer updated information since reporting institutions could not establish an interest rate policy for this kind of loan."

Source: Central Bank of the Argentine Republic (BCRA).

XV. INTERNATIONAL RESERVES

International reserves at the end of March 2003 were USD 10.6 billion, almost 50 percent below their December 2001 level. Reserves have been declining on a year-on-year basis since March 2001. They declined sharply from October 2001 to July 2002 as the economy experienced severe capital flight and the government serviced its debt to the international financial institutions (IFIs) without receiving new loans. Reserves began to increase again in August 2002, mainly due to the default on public and private foreign debt and a dramatic decline in imports. The government reached an agreement with the IMF and World Bank in January 2003 whereby loans from these institutions will be approximately equal to the government's payments to the same institutions for an eight-month period from January through August 2003. The sharp drop in reserves in January 2003 was related to the GOA's one-time payment of its arrears to the IMF and the World Bank as a condition of the January 2003 agreement. Reserves would be much larger were it not for the IMF agreement's restriction on the money supply and the subsequent issuance of pesos for the purchase of dollars.

INTERNATIONAL RESERVES (USD MILLIONS)

	END OF PERIOD (1)	PCT CHG SAME MONTH PREV YR
1997	24,308	26.0
1998	26,524	9.1
1999	27,831	4.9
2000	26,491	-4.8
2001	19,425	-26.7
2002	10,476	-46.1
2001		
JAN	26,804	3.8
FEB	26,856	2.2
MAR	23,371	-10.8
APR	22,368	-14.5
MAY	22,224	-12.3
JUN	22,753	-16.9
JUL	18,341	-33.4
AUG	16,263	-37.7
SEP	21,156	-19.5
OCT	20,145	-17.9
NOV	18,468	-22.2
DEC	19,425	-26.7
2002		
JAN	19,414	-27.6
FEB	13,871	-48.4
MAR	12,780	-45.3

APR	12,171	-45.6
MAY	10,185	-54.2
JUN	9,629	-57.7
JUL	8,986	-51.0
AUG	9,102	-44.0
SEP	9,404	-55.5
OCT	9,883	-50.9
NOV	10,022	-45.7
DEC	10,476	-46.1

2003

JAN	9,326	-52.0
FEB	10,289	-25.8
MAR	10,576	-17.2

(1) These are the figures for the last working day of each period.

Note: International reserves include gold, currencies, term-placements, public bonds and others.

Source: Central Bank of the Argentine Republic (BCRA).

XVI. BALANCE OF PAYMENTS

The trade surplus in 2002, as computed by the balance of payments was USD 16.9 billion, up 200 percent from 2001. This increase in the trade surplus was caused by a 55.8 percent decline in FOB imports and a 4.7 percent decline in exports, and resulted in a USD 9.0 billion current account surplus. A major factor in the continuing decline in the services deficit was the reduction of transportation services. Transportation services fell due to both the decrease in imports and the decrease in travel by residents to other countries. Net outflows of investment rents fell by 17.2 percent compared to 2001. The negative accumulated result for the financial account is primarily due to the USD 12.1 billion in outflows from the non-financial private sector. Outflows from this sector totaled USD 26.0 billion between the third quarter of 2001 and the end of 2002. Foreign debt estimated for the balance of payments as of the end of 2002 reached USD 134.3 billion. Estimated interest arrears in 2002 were USD 4.3 billion, of which USD 3.7 billion corresponded to the public sector and USD 0.6 billion to the non-financial private sector. Estimated principal arrears in 2002 were USD 7.5 billion, of which USD 4.4 billion corresponded to the public sector, USD 3.1 billion to the non-financial private sector, and the rest to the financial sector excluding the Central Bank.

BALANCE OF PAYMENTS SUMMARY (USD MILLIONS)

	1999	2000	2001	2002
(A) CURRENT ACCOUNT	-12,001	-8,878	-4,483	8,954
(1) TRADE BALANCE	-795	2,558	7,451	16,883
(a) EXPORTS FOB	23,309	26,410	26,610	25,352
(b) IMPORTS FOB	24,103	23,852	19,159	8,469
(2) SERVICES	-4,156	-4,305	-3,912	-1,503
(3) INVESTMENT SERVICES, PROFITS & DIVIDENDS	-7,433	-7,372	-8,243	-6,822
(4) TRANSFERS	382	241	221	395
(B) CAPITAL AND FINANCIAL ACCOUNT	14,009	9,635	-4,568	-11,438
(1) CAPITAL ACCOUNT	86	87	101	48
(2) FINANCIAL ACCOUNT	13,923	9,549	-4,668	-11,486
(2.a) FINANCIAL SECTOR	1,329	67	11,588	-2,075
(2.b) NON FINANCIAL PUBLIC SECTOR	10,845	8,123	-3,439	2,685
(2.c) NON FINANCIAL PRIVATE SECTOR	1,749	1,358	-12,817	-12,097
(C) ERRORS AND OMISSIONS	-807	-1,197	-3,032	-2,031
(D) INTERNATIONAL RESERVES (DECREASE +, INCREASE -)	1,201	-439	-12,083	-4,516
OVERALL BALANCE (A)+(B)+(C)-(D)	0	0	0	0

Source: National Bureau of Statistics and Census (INDEC).

XVII. EXPORTS

Exports in 2002 were USD 25.3 billion, a decrease of 4.7 percent from 2001, primarily due to a drop in commodity prices and the slower pace of grain and oilseed exports at the end of the year. The percentage of Argentina's exports going to the United States in 2002 increased to 11.3 percent. Argentina had an excellent harvest in 2002, but farmers stretched out their dollar sales of grain and oilseeds as a hedge against further devaluation of the peso. The majority of export industries have benefited from the devaluation, despite the decline in the total dollar value of exports. Exports are impeded by the lack of trade finance. New export finance mechanisms, including trust funds and loan guarantees, are being established and are expected to help stimulate exports in 2003. Exports increased by 15.8 percent during the first two months of 2003 compared to the same months in 2002, primarily due to an increase in the exported volumes of some agribusiness products such as vegetable oils and the increase in the price of petroleum products. Exports should continue to grow during the next few months due to the expected record soybean and corn harvests that are currently under way. Eighteen well-known local think tanks predict an average 10 percent export growth rate for 2003.

EXPORTS (FOB, USD MILLIONS)

	TOTAL	TO US	PCT OF TOTAL
1997	26,431	2,204	8.3
1998	26,434	2,212	8.4
1999	23,309	2,653	11.4
2000	26,410	3,156	11.9
2001	26,598	2,700	10.2
2002	25,353	2,868	11.3
2001			
JAN	2,039	205	10.1
FEB	1,940	217	11.2
MAR	2,018	272	13.5
APR	2,389	272	11.4
MAY	2,566	233	9.1
JUN	2,544	25	1.0
JUL	2,351	244	10.4
AUG	2,519	274	10.9
SEP	2,078	215	10.3
OCT	2,106	241	11.4
NOV	2,106	281	13.3
DEC	1,944	222	11.4
2002			
JAN	1,823	185	10.2
FEB	1,801	238	13.2
MAR	2,060	226	11.0

APR	2,146	186	8.6
MAY	2,343	267	11.4
JUN	2,213	229	10.3
JUL	2,211	227	10.2
AUG	2,151	252	11.7
SEP	2,250	244	10.9
OCT	2,229	302	13.5
NOV	2,160	284	13.2
DEC	1,966	228	11.6
2003			
JAN	2,126	n/a	n/a
FEB	2,072	n/a	n/a

Source: National Bureau of Statistics and Census (INDEC) and Foundation for Latin American Economic Research (FIEL).

XVIII. IMPORTS

Imports during 2002 were USD 9.0 billion, a decrease of 55.8 percent from 2001, due to the decline in domestic demand, the absence of trade finance, and import substitution. The United States' market share increased to 20.1 percent, reversing seven consecutive years of decline that began in 1994. The government retained controls on the release of foreign exchange to pay for imports of 2,700 products until September 2002. The government lifted the majority of these controls in January 2003, in order to stimulate demand for dollars and slow the peso's appreciation. However, the exchange rate, the continued lack of a viable financial system, and decreased consumer purchasing power continue to inhibit the demand for imports. Imports for first quarter 2003 were 19.4 percent greater than first quarter 2002, according to the Ministry of Economy. Capital goods increased 15 percent, intermediate goods increased 39 percent, machine parts increased 32 percent, and consumer goods decreased. The composition of imports reflects an increase in domestic activity (exports and import substitution) and weak consumer confidence and demand. February and March were the first year-on-year monthly increases in imports since April 2001.

IMPORTS (CIF, USD MILLIONS)

	TOTAL	FROM US	PCT OF TOTAL
1997	30,450	6,095	20.0
1998	31,377	6,227	19.8
1999	25,508	4,996	19.6
2000	25,243	4,785	19.0
2001	20,321	3,781	18.6
2002	8,988	1,804	20.1
2001			
JAN	1,954	387	19.8
FEB	1,754	334	19.0
MAR	2,035	360	17.7
APR	1,918	366	19.1
MAY	2,082	406	19.5
JUN	1,777	333	18.8
JUL	1,769	310	17.5
AUG	1,822	317	17.4
SEP	1,432	237	16.6
OCT	1,512	275	18.2
NOV	1,334	233	17.5
DEC	932	223	23.9
2002			
JAN	853	173	20.3

FEB	627	121	19.3
MAR	592	109	18.3
APR	611	113	18.5
MAY	862	231	26.8
JUN	687	114	16.5
JUL	813	144	17.7
AUG	764	135	17.7
SEP	717	147	20.6
OCT	874	210	24.0
NOV	807	159	19.7
DEC	781	148	18.9

2003

JAN	798	n/a	n/a
FEB	777	n/a	n/a
MAR(1)	895	n/a	n/a

(1) Estimate by the Ministry of Economy.

Source: National Bureau of Statistics and Census (INDEC) and Foundation for Latin American Economic Research (FIEL).

XIX. FOREIGN DIRECT INVESTMENT (FDI)

Europe led real foreign direct investment (FDI) in Argentina during the last five years, contributing 72 percent of net inflows, of which 73 percent came from Spain. The United States provided 20 percent of net inflows during the same period. The most attractive sector for foreign investors was petroleum, followed by the industry, transport and communications and the financial sector. Most of the unusually large investment in the petroleum sector in 1999 was caused by the purchase of the national oil company, YPF, by Repsol of Spain. The petroleum and industry sectors received the bulk of new FDI in 2002 with the purchase of the Perez Companc Oil Company by Petrobras of Brazil and the Quilmes Brewery Company by Brahma of Brazil. The mining, petroleum and tourism sectors may be the largest recipients of new FDI in 2003 with several large investments in gold mining operations and oil projects. Barrick Gold of Canada reactivated the Veladero gold project in San Juan province with an initial USD 425 million investment, Tenke Mining of Canada purchased the Batidero gold project for USD 75 million and AngloGold of South Africa purchased the Cerro Vanguardia gold project for USD 90 million. Petrobras is planning to invest USD 150-200 million, Chevron USD 70 million, Pioneer USD 45 million and Vintage Oil USD 18 million. Accor France also announced plans to invest USD 130 million in a series of hotels.

FOREIGN DIRECT INVESTMENT BY SECTOR - CAPITAL TRANSACTIONS (USD MILLIONS)

	1997	1998	1999	2000	2001
Petroleum	105	1313	17830	2487	1403
Mining	72	11	15	9	-47
Industry	3308	1147	1950	2404	-74
Food, beverages and tobacco	360	256	1192	600	182
Textiles and tanning	36	-5	-49	19	4
Paper	335	89	15	580	-36
Chemicals, rubber and plastics	770	232	762	537	-226
Cement and ceramics	51	306	0	2	-6
Metals and elaboration of metals	569	96	-18	130	-8
Machinery and equipment	106	111	360	-56	66
Automobiles and transportation equipment	1082	65	-313	591	-50
Electricity, Gas and Water	1527	932	951	361	127
Commercial	150	699	742	147	598
Transport and	845	260	714	3739	699

Communications					
Financial	2366	1757	746	1445	-7
Others	784	1172	981	1066	515

TOTAL	9157	7291	23929	11657	3214
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Source: Secretariat of Economic Policy, Ministry of Economy.

FOREIGN DIRECT INVESTMENT BY COUNTRY OF ORIGIN - CAPITAL TRANSACTIONS
(USD MILLIONS)

	1997	1998	1999	2000	2001
Europe	4618	4736	19942	8524	2077
Germany	547	466	70	161	30
Spain	2085	1098	17930	6987	932
France	225	1337	1547	493	953
Italy	436	499	501	506	31
Netherlands	955	986	-51	156	46
United Kingdom	227	251	-107	63	70
Other European	143	99	52	158	15
NAFTA	3217	1363	3773	2030	756
United States	3074	1352	3763	2078	804
Mexico & Canada	143	10	10	-48	-48
Central America and the Caribbean	21	191	425	39	62
South America	804	510	-514	212	-304
Chile	578	327	-440	109	-284
Others	226	184	-73	103	-20
Other Regions	497	491	302	851	623

TOTAL	9157	7291	23929	11657	3214
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Source: Secretariat of Economic Policy, Ministry of Economy.

XX. UNEMPLOYMENT, EMPLOYMENT AND ACTIVITY RATES

Official unemployment peaked at 21.5 percent in May 2002, was 17.8 percent in October 2002, but would be at least 21.8 percent if the recipients of income subsidies (approximately USD 49 per month) from the government's Heads of Households Program were counted as unemployed. The October reduction is also the result of seasonal factors. The October rate declined after having reached a historical record of 21.5 percent in May 2002. The previous peak had been 18.4 percent in May 1995 during the Mexican Tequila crisis. The government has been subsidizing unemployed heads of families with children under age 18 since May 2002. Beneficiaries include approximately 2,050,000 individuals who are required to work four hours per day in a public or private institution. They are considered employed by the INDEC surveys on unemployment, which explained most of the reduction in the unemployment rate. The activity rate, or the percent of the population which wants to work, recovered in October after having reached a minimum since 1997. The unemployment rate would have been even higher in May, had there been positive net inflows in the labor market. Employment also increased 2.5 percentage points. The Ministry of Labor's own February indicators for Buenos Aires, Cordoba, Rosario and Mendoza cities also show slight monthly recoveries in formal private employment in these urban areas with the exception of Cordoba. Universidad Di Tella's labor demand index has been showing an overall growth since April 2002. Wage increases lagged behind inflation since the 2002 devaluation. Salaries of formal private employees and salaries of public employees increased by 21.2 percent and 5.9 percent, respectively, since the January 2002 devaluation, whereas salaries of informal private employees decreased by 5.1 percent in the same period. By comparison, the CPI increased by 44.5 percent since the January 2002 devaluation. Over 57.5 percent of the population lives below the official poverty line (ARP 232 or USD 71.40 per month) and 27.5 percent lives below the indigency line (ARP 105 or USD 32.30 per month), according to October 2002 surveys.

UNEMPLOYMENT, EMPLOYMENT AND ACTIVITY RATES

		ACTIVITY TOTAL COUNTRY	EMPLOYMENT TOTAL COUNTRY	UNEMPLOYMENT TOTAL COUNTRY GBA	
1995	MAY	42.6	34.8	20.2	18.4
	OCT	41.4	34.5	17.4	16.6
1996	MAY	41.0	34.0	18.0	17.1
	OCT (1)	41.9	34.6	18.8	17.3
1997	MAY	42.1	35.3	17.0	16.1
	OCT	42.3	36.5	14.3	13.7
1998	MAY	42.4	36.9	14.0	13.2
	OCT	42.1	36.9	13.3	12.4

1999	MAY	42.8	36.6	15.6	14.5
	OCT	42.7	36.8	14.4	13.8
2000	MAY	42.4	35.9	16.0	15.4
	OCT	42.7	36.5	14.7	14.7
2001	MAY	42.8	35.8	17.2	16.4
	OCT	42.2	34.5	19.0	18.3
2002	MAY	41.8	32.8	22.0	21.5
	OCT	42.9	35.3	18.8	17.8

Note: GBA means Greater Buenos Aires.

(1) The City of Cordoba was not included in this survey.

Source: National Bureau of Statistics and Census (INDEC).